

**Testimony of Jeffrey K. Skilling
President and Chief Operating Officer, Enron Corp.**

on
Electric Utility Industry Restructuring:
Why shouldn't all consumers have a choice?

before the
Committee on Commerce
Subcommittee on Energy and Power

United States House of Representatives

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Testimony of Jeffrey K. Skilling
Before the House Field Hearing on Electricity Deregulation
Dallas, Texas, May 9, 1997

Thank you Mr. **Chairman**. It's **an** honor to testify before this distinguished committee.

My name is Jeff Skilling. I'm President and Chief Operating Officer of **Enron** Corp., a diversified energy company.

Recently, **Enron** has become the leading seller of wholesale electricity, and our experience has taught us a **great** deal about the immense potential for extraordinary benefits and savings to all consumers. We provide choices and cost savings **to utilities** today, but consumers are prohibited from buying from us. In no other part of our economy do we let governments (state, local or federal) intrude so deeply into individual purchase decisions. The costs of this monopoly system are staggering; the good news is that the opportunity for Americans to benefit from changing the system are even greater.

A Boon for Consumers

Let's talk about consumer benefits. A joint study by the **Brookings** Institute and the Center for Market Processes surveyed the economic literature of five **restructured** industries. The study found that consumers saved 15 to 20 percent in the short term, and as much as 50 percent **over** a ten year period. Competition in these industries now infuses \$100 billion of cost savings into our economy each year. This squares with a study done last year by Citizens for a Sound Economy, which concluded that electricity consumers would save 43 percent.

Two separate studies tell us that deregulation of electricity markets could save us **\$60-80** billion a year -- the equivalent of an \$800 tax refund for every family in the country.

But you don't need a study to **tell** you what you already know: giving customers the power to choose works. We've seen it **in** other industries; we've seen utilities benefit from it in their purchases of fuel and power; **we know how to do it**; we can do it now.

You also don't need a study to demonstrate the staggering cost of state-sponsored monopoly. Think about this:

- . Utilities have \$385 billion of net plant. **By their own admission**, over half of that **investment** is uneconomic.
- . Consumers pay several times the price available in the competitive wholesale market.
- . Utilities have cut costs to their largest industrial customers while the rates to small businesses and consumers rose 5-7% in the **first** half of this decade. Texas utilities like to say if we have competition "the big dogs will eat first." Well the big dogs **are** already eating while the small consumer is waiting for a **turn** at the bowl.

How can we tell consumers that the time is not right for them to have choices? How can **we** justify protecting monopolies when we know there is a better way?

Setting a Date Certain

That brings me to my next point: we need a start date for competition. The large investor-owned utilities are hoping you will postpone setting a deadline. Their arguments are like arguments to postpone the cure for a disease because the cure will empty hospital beds and leave doctors unemployed. Until you set a deadline, problems are all you will hear about. A deadline forces them to stop whining about problems and start creating solutions.

A National Consumer Issue

This is a national consumer issue. But the monopoly utilities have now decided they like state regulation. They insist that here in Texas, our legislature has the opportunity to decide for itself how to shape the future of the electric utility industry; (although utilities have hired dozens of lobbyists and spent millions of dollars to slow that process down).

The monopolies are nearly insatiable. When presented with the opportunity to recover 100 percent of their stranded costs, Texas utilities were reluctant and proposed a start date as late as 2004. Even the offer to securitize the revenue stream associated with the utilities' uneconomic assets, which would benefit consumers by lowering interest costs, was not acceptable without adding other, more profitable options. They want not only full cost recovery for utilities, but excess recovery while delaying competition into the next millennium.

Unfortunately, sitting back and hoping that 50 states will gradually open up the interstate market to competition is wishful thinking. Scores of lobbyists seated in this room want Texas to delay competition in the electricity market. They don't want you to do anything, either. In New

York, the monopoly brethren are suing their state commission on the theory that this is a **federal** issue, while in New Hampshire utilities have sought an injunction in **federal court** to stop their state's progress. The "states' rights" argument is a **subterfuge**.

Allowing individuals access to lower cost electricity **on our interstate** system is hardly trampling on states' rights. Rather, we **trample** on individual **rights** when we **let any** government tell citizens that **they** cannot choose an electric power supplier because of **where** they live. You can provide access to all while still leaving critical decisions to the states. States will continue to have jurisdiction over social policies and **carry** out all responsibilities **belonging** to them. Low income ratepayers will **be** protected. Universal access can **be** guaranteed. Indeed, you can enable states to do all of this **better**.

Moving Into the Future

The monopolies' delay game is holding back the creative potential of a vast American industry. In an era of fax machines, cell phones and personal computers, this \$200 billion/year industry still sends someone climbing over your back fence to read an analog meter. But you have the ability. **this year**, to unleash a remarkable revolution in the way Americans pay for and receive the power that lights their **homes and businesses**.

I urge you to imagine the possibilities this revolution **presents**. **Imagine the elderly and the poor having a fixed energy bill rolled into their mortgage or rent. Imagine an electric service that could let consumers choose how much of their home power is generated by renewable resources. Imagine a business with offices in ten states receiving a single monthly bill that consolidates energy costs. Imagine a meter you can read.**

If Congress decides to delay, to go slow, or simply to **withdraw from** the issue of electricity market competition, then all these possibilities will be stuck in the realm of imagination for the foreseeable future.

This is why I urge you to set a federal starting date to implement customer choice and unleash the opportunities that lay ahead.

Thank you again for coming to Dallas and for inviting me to speak here today. I **look** forward to your questions.

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